



The Economic Climate Influencing Austin, with Implications for COA

City of Austin

Presented by TXP | April 22, 2009



The National Situation

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Economic Context

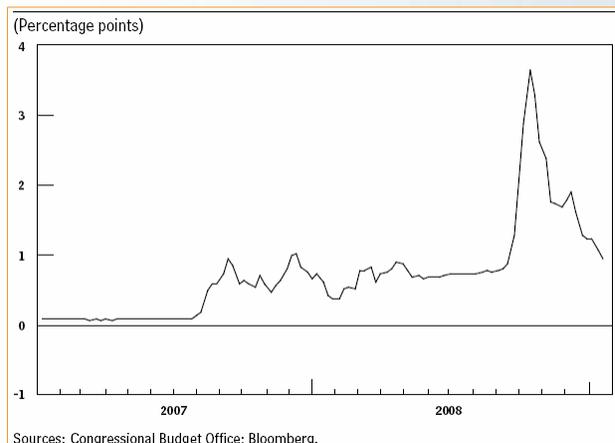
United States

- Data released in recent weeks reflect an confirms announcement by the National Bureau of Economic Research when it declared the current recession began in December 2007.
- In fourth quarter 2008, real GDP declined by a revised annual rate of 6.2 percent, as consumption, business investment, and residential investment all fell substantially. Best guess for 1Q-09 is a decline of 3-5%.
- Downturn in payroll employment was widespread, as all major sectors posted sizable losses. To date, the labor market has lost 5.2 million jobs since peaking in December 2007.
- Conditions in short-term funding markets have improved somewhat recently, with Libor spreads falling notably since the beginning of November.
- Housing market conditions remain exceptionally weak. The housing sector has continued to suffer the effects of compromised mortgage quality that caused the current flood of homes on the market.



National Context

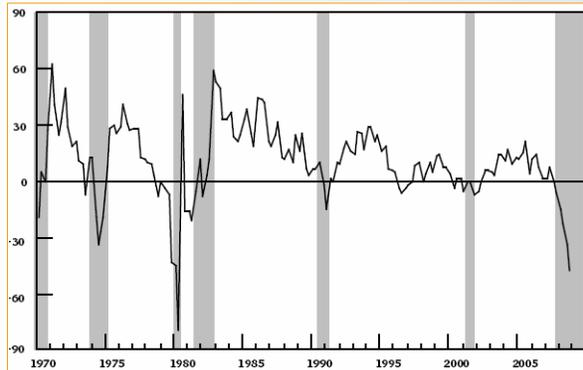
Risk Spread on Lending Between Banks





National Context

Change in Banks Willingness to Lend (%)



Sources: Congressional Budget Office; Federal Reserve Board.

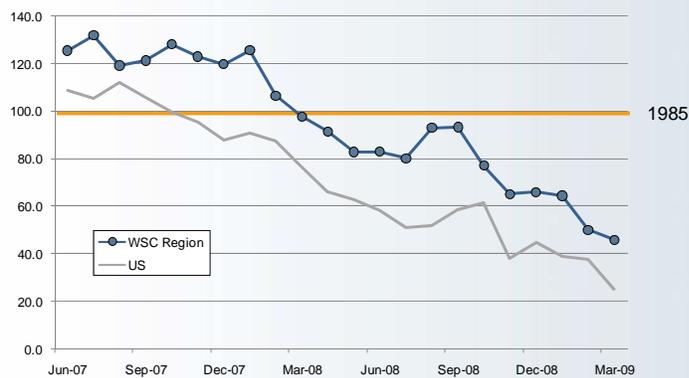
Notes: The figure shows the net percentage of respondents reporting a greater willingness to make consumer installment loans over the past three months in the Federal Reserve Board's *Senior Loan Officer Opinion Survey on Bank Lending Practices*.

Data are quarterly and are plotted through the fourth quarter of 2008.



National Context

Consumer Confidence



Source: Conference Board



National Context

Consumer Price Index – 12-Month Change

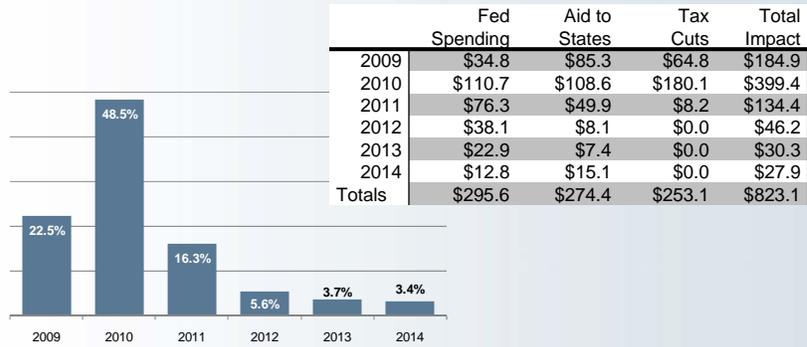


Source: Bureau of Labor Statistics



National Context

Elements of Stimulus (\$Billions)



	Fed Spending	Aid to States	Tax Cuts	Total Impact
2009	\$34.8	\$85.3	\$64.8	\$184.9
2010	\$110.7	\$108.6	\$180.1	\$399.4
2011	\$76.3	\$49.9	\$8.2	\$134.4
2012	\$38.1	\$8.1	\$0.0	\$46.2
2013	\$22.9	\$7.4	\$0.0	\$30.3
2014	\$12.8	\$15.1	\$0.0	\$27.9
Totals	\$295.6	\$274.4	\$253.1	\$823.1



What Comes Next (12-18 Months)

- Efforts to deal with the financial crisis will be ongoing – “bailout” becomes “buy-in” becomes stimulus package, etc. Stimulus package should be equal parts real world and psychological impact.
 - Stimulus gets fairly low grade, but market reacts more favorably to bank plan
 - Other industries still to come – auto sector next big step
- Fed commits to historically low rates for foreseeable future – flight to “quality/stability” makes this more feasible, although price isn’t really the problem at this point
 - Low rates attract some homebuyers, but impact largely marginal
 - Most banks have more credit than customers
- Back to the future on lending/credit availability – much lower leverage, focus on end-use and fundamentals. Asset values have to stabilize – suspension of “mark to market” a big step making collateral values more measurable, leading to some improvement in lending/credit.
- Consumer confidence shows glimmers of improvement.
- GDP likely to fall 2-3 points this year.
 - Positive growth for 2010



Austin Overview

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Austin Context

Overview

- Job growth has been halved this year, though still above national rate. Consumer spending has followed similar track, and should remain soft for some time.
- Consumer caution translates to housing sector, as all development indicators are down – when prices fall, watch for sales to pick up some (though more in-line with household growth). Most non-residential sectors are overbuilt (some significantly) – with the current economic environment, situation may worsen in coming months.
- Lending activity very slow right now – caution breeds inaction – tourism remains in relatively good shape.
- Technology continues to reinvent – critical to invigorate venture capital.



Long-Term Market Comparison

Austin MSA Employment Growth





Austin Travel & Tourism

City of Austin

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Austin Indicators Hotel Occupancy – City of Austin

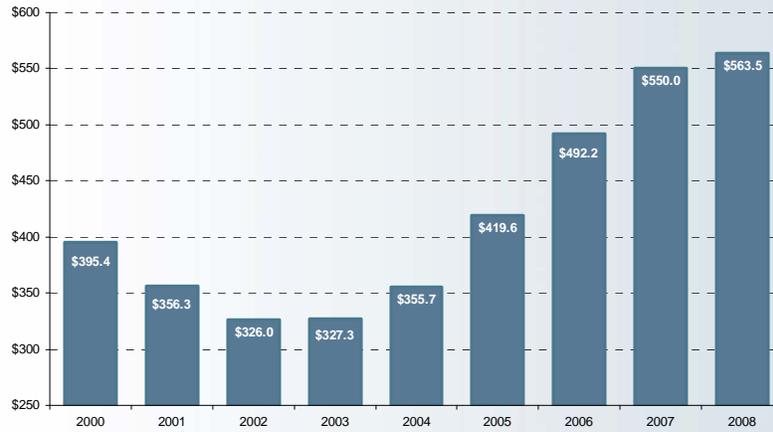


Source: Governor's Office of Economic Development



Austin Indicators

Hotel Revenue in City of Austin (\$millions)



Source: Governor's Office of Economic Development



Austin Technology & Venture Capital

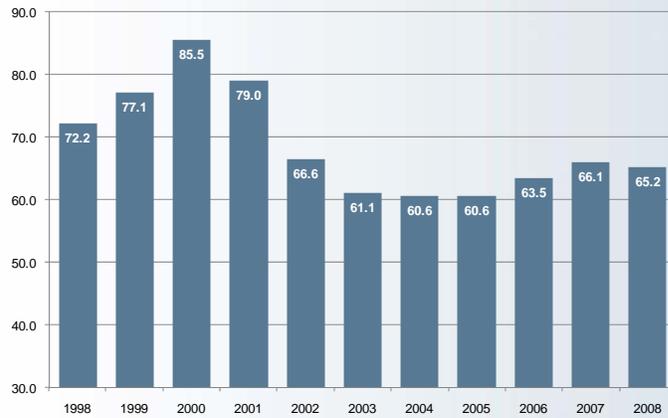
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Austin MSA Indicators

High-Tech Employment (000s)

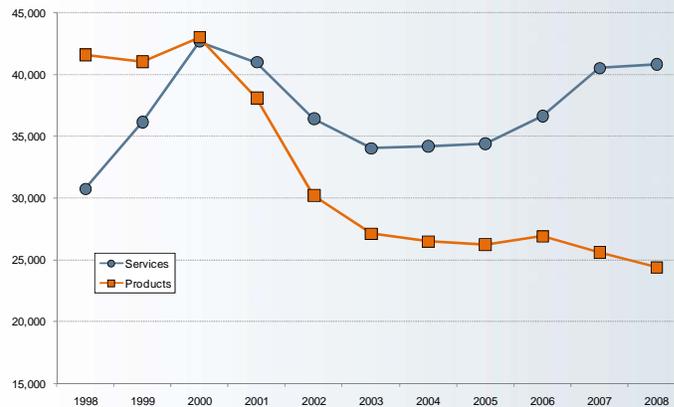


Source: BLS, TXP



Austin MSA Indicators

High-Tech Employment (000s) - Breakdown

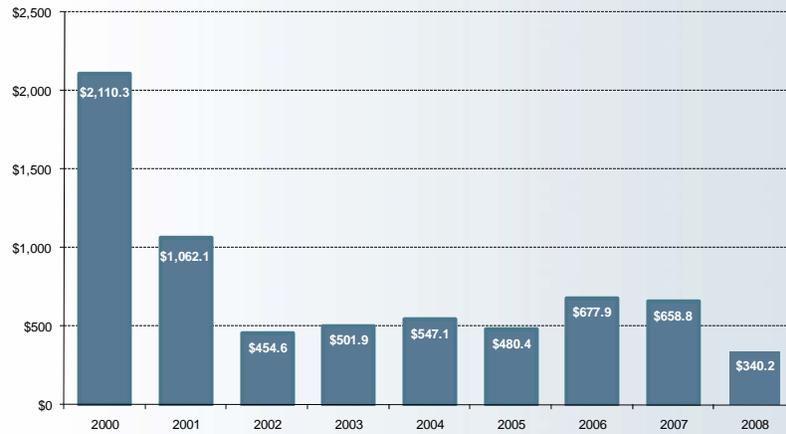


Source: BLS, TXP



Austin MSA Indicators

Austin Area Venture Capital (\$millions)



Source: PriceWaterhouseCoopers



Austin Real Estate

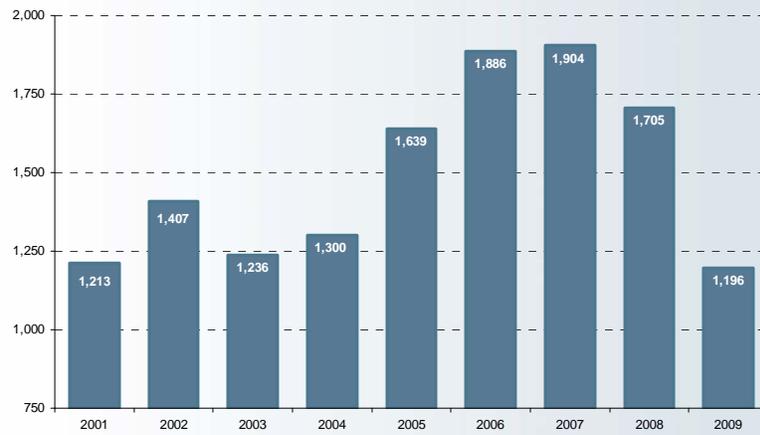
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Austin MSA Indicators

February Home Sales

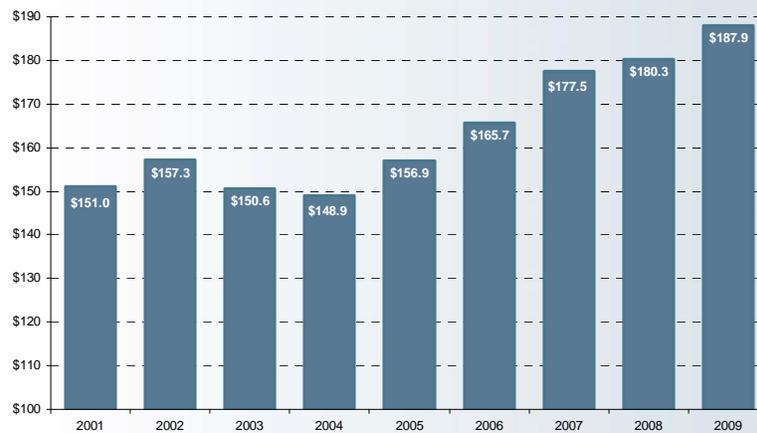


Source: Texas A&M



Austin MSA Indicators

February Median Home Price

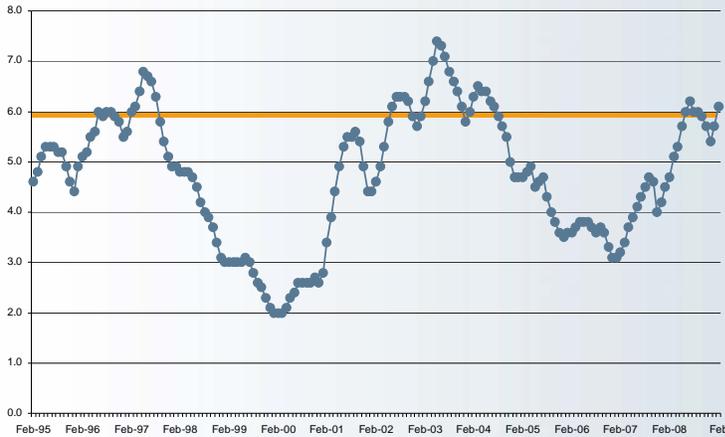


Source: Texas A&M



Austin MSA Indicators

Months of Housing Inventory

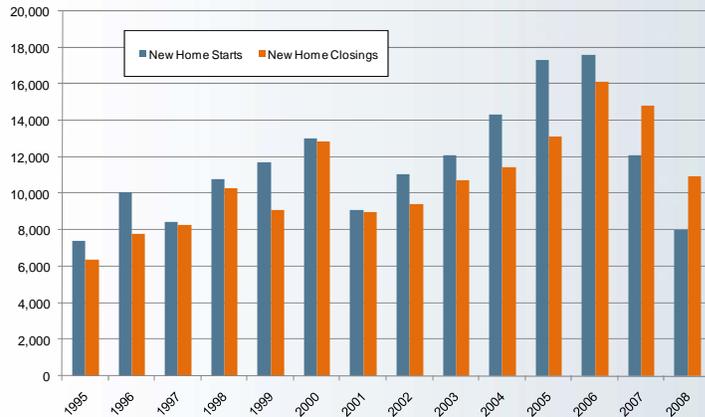


Source: Texas A&M Real Estate Research



Austin MSA Indicators

Home Starts & Closings – Single-Family

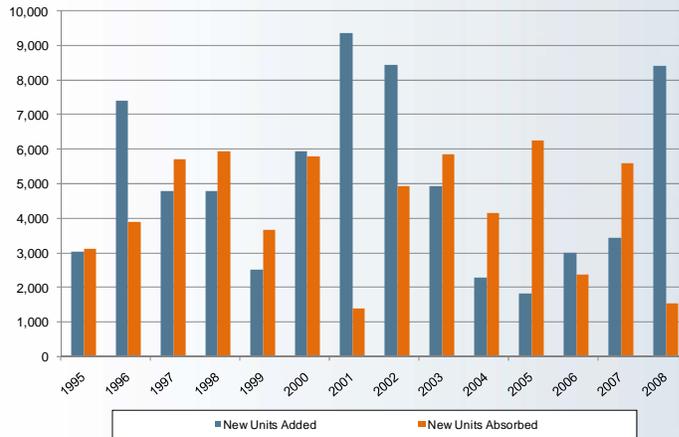


Source: Capitol Market Research; Residential Strategies, Texas A&M



Austin MSA Indicators

Apartment Market Data - Units



Source: Capitol Market Research



Austin MSA Indicators

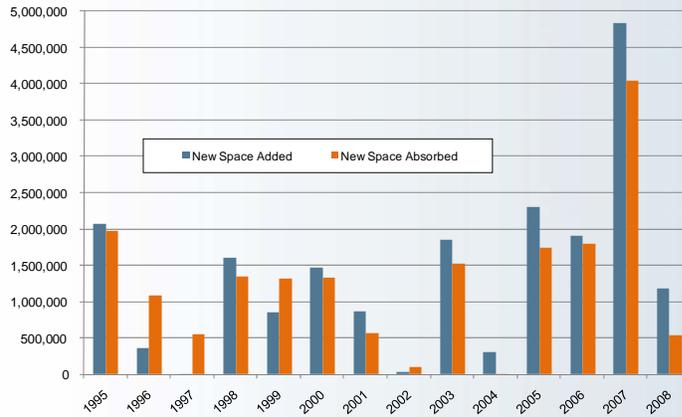
Office Market – Square Feet



Source: Capitol Market Research



Austin MSA Indicators Retail Market – Square Feet



Source: Capitol Market Research



Austin Economic Forecast

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Austin Economic Forecast

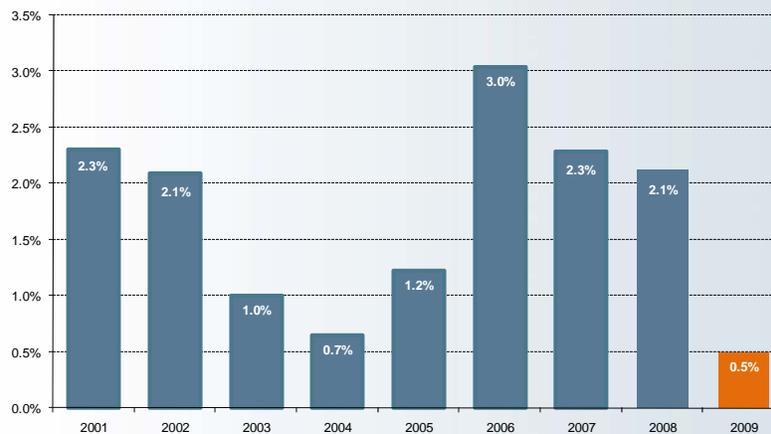
Near-Term

- Housing market problems, credit concerns, and national recession have a local impact, but Austin relatively well-positioned. Tourism will continue to out-perform other areas.
- Housing market softens, but does not crash – prices should drop further in the near future. Most real estate sectors over-built – next couple years to work-off excess inventory, although a lot shortage may occur sooner than expected.
- Preliminary estimate is for 2008 MSA job growth at 2.2%. 2009 forecasted to be -2.1% before a slight rebound in 2010 – a pattern comparable to 2002-03. Almost all sectors of the local economy will contract this year.
- Personal income falls sharply as well, while population is stagnant.



Austin Indicators

Total Population Growth – City of Austin Full-Purpose

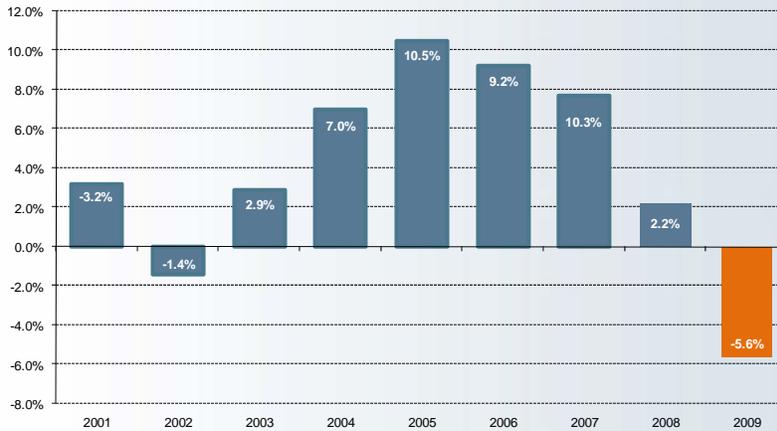


Source: Census Bureau; TXP



Austin MSA Indicators

Total Personal Income Growth



Source: Bureau of Economic Analysis; TXP



Austin Indicators

Total MSA Employment Growth



Source: Bureau of Labor Statistics; TXP



Austin Indicators History and Forecasts

Aggregate Indicators	2002	2003	2004	2005	2006	2007	2008	2009
Total MSA Employment (000s)	658.5	652.5	667.5	692.3	723.0	758.3	777.3	761.2
MSA Personal Income (Billions)	\$41.908	\$43.104	\$46.135	\$50.988	\$55.665	\$59.958	\$61.337	\$57.885
City of Austin Population (000s)	639.2	654.0	667.7	674.4	678.8	687.1	708.0	724.1
Sector Employment								
Construction/Natural Resources	38.2	37.4	37.7	40.2	44.5	49.0	47.8	44.0
Education/Health Services	64.7	65.9	68.4	71.1	73.8	77.2	80.6	79.5
Financial Activities	38.0	39.4	40.0	41.2	43.0	44.7	44.9	43.8
Government	144.8	145.6	145.8	148.9	152.0	156.6	163.4	162.6
Information	22.6	20.8	20.5	21.5	21.8	21.9	20.9	20.5
Leisure & Hospitality	62.3	63.7	67.1	69.7	74.3	78.3	80.5	78.9
Manufacturing	63.5	57.7	57.4	57.3	58.9	59.7	58.2	55.0
Other Services	23.9	24.4	26.0	26.5	27.7	28.2	30.4	30.7
Professional/Business Services	87.2	85.6	89.1	94.1	99.6	106.7	111.7	112.3
Trade/Transportation/Utilities	113.3	112.0	115.5	121.8	127.4	136.0	138.9	134.0

Source: TXP



Austin Sales Tax Forecast

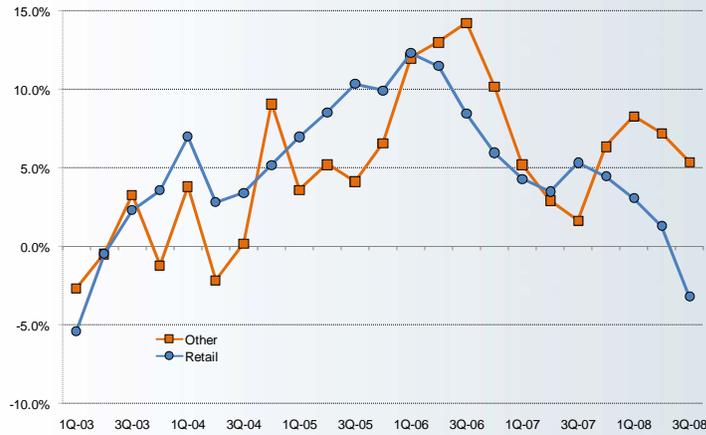
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Austin Indicators

COA Taxable Sales: Retail Trade vs. Other Sectors

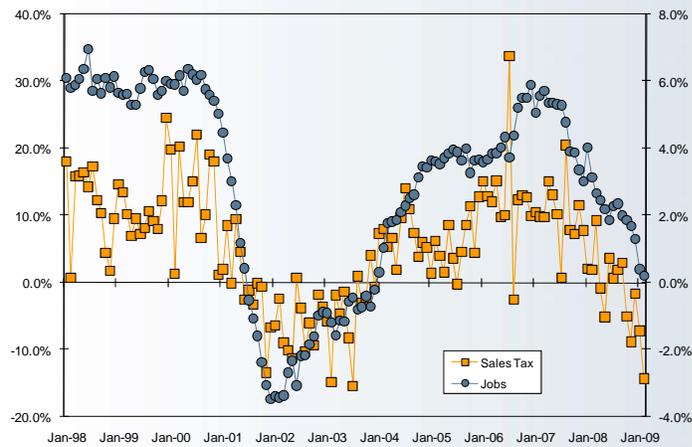


Source: Texas State Comptroller; TXP



Austin Indicators

COA Sales Tax vs. Job Growth

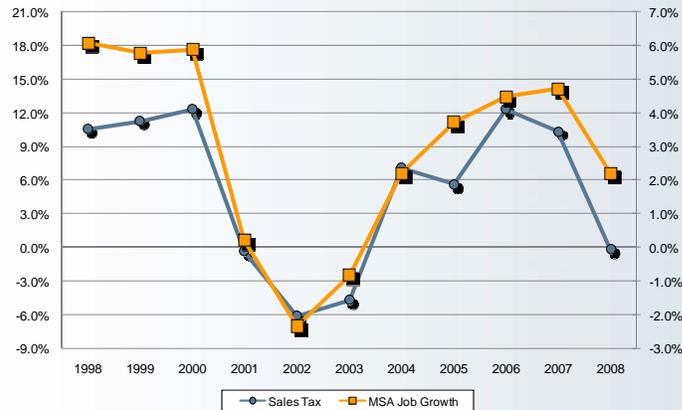


Source: Texas State Comptroller; BLS, TXP



Austin Indicators

COA Sales Tax vs. Job Growth



Source: Texas State Comptroller; BLS, TXP



Austin Sales Tax Forecast

Near-Term

- Sales tax tends to track job growth – past downturn (2003) would suggest 3x relationship, but there have been unusual factors in the recent past
 - surge in construction (building materials taxed)
 - Rising property values associated with boom yields easy home equity credit
 - Over-investment in real estate due to downturn elsewhere.
 - Cuts in wages rather than jobs
- All of the above have been reversed in the last 6-12 months
 - “nobody buys more than gas and groceries from 9/16 until Xmas”
 - Consumer confidence shaken; re-examination of preferences – focus on necessities (not luxuries; not as heavily taxed)
- Translation is that 5x might be more appropriate for 2009.
 - Down 10.0% for 2009



Austin Indicators

City of Austin Sales Tax Collections Growth - FY



Source: TXP

Economic Outlook & Financial Forecast – General Fund

City of Austin
Financial and Administrative Services
April 22, 2009



Financial Forecast

Changes in 2010 Budget Process

- Designed to engage the City Council much earlier in the budget development process
 - will allow for more time for Council to deliberate prior to adoption of the budget in September
 - 7 briefings planned over 5 months
- Will seek community and employee input on general budget reduction strategies for 2010
 - citizen survey, employee outreach and Dollars and Sense recommendations
 - results reported to Council on May 20
- Department directors will:
 - engage City's advisory boards and commissions earlier in the budget process this year
 - submit draft budget reduction strategies to the City Manager for consideration on May 22



Changes in 2010 Budget Process

- List of possible spending reductions presented to Council in June, including analysis of service implications
 - available before the City Manager submits his proposed budget in July
 - list will include all reduction options submitted to the City Manager for consideration during development of his budget proposal
 - seek community input on potential reductions through forums, meetings
- All information to be made available to the public on the City's Internet site at www.ci.austin.tx.us/budget



Budget Timeline

April 22	Economic Outlook and Financial Forecast
May 20	Citizen Survey and Employee Outreach Efforts
	General Budget Reduction Strategies
May 22	Departments Submit Draft Budget Reduction Proposals to City Manager
June 11	Update on General Fund Revenue Forecast Summary of Corporate Budget Reductions Deliver List of Budget Reduction Proposals
July 22	Deliver Proposed Budget to Council
August 5, 19, 26	Council Deliberations on FY2010 Proposed Budget
Sept 14 – 16	Budget Approval Readings



Today's Presentation

- Economic Outlook
Jon Hockenyos, Texas Perspectives
- Current Year Financial Update
- Financial Forecast – General Fund
 - Revenue
 - Expenditures
 - Forecast assumptions
- Financial Forecast – Enterprise Funds
- Next Steps

April 22, 2009

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Current Year Update



Current Year Strategies & Objectives

- Minimize further disruptions to basic services
- Avoid layoffs
- Continue rigorous hiring review process
 - currently 358 non-civil service positions being held vacant in the General Fund and support departments
 - creates savings in the current fiscal year
 - positions the City for the upcoming fiscal year
- Severely limit training and travel expenses
- Reduce General Fund transfers to support services funds

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Current Year Fiscal Status Update

\$ Millions

Revenue Shortfall	December	March
Sales Tax	(15.6)	(21.8)
Development	(3.0)	(3.0)
Interest	(1.5)	(2.5)
Fees / Transfers	0.0	1.0
Total Revenue	(20.1)	(26.3)
Spending Reductions		
Mid-Year Reductions	(20.1)	(20.1)
Additional Vacancy Savings		(1.5)
Ike Reimbursement		(0.7)
Transfers to Other Funds		(4.0)
Total Expenditures	(20.1)	(26.3)
Difference	0.0	0.0

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Forecast Summary: General Fund



Financial Forecast

Observations

- Economic downturn has resulted in significant declines in General Fund revenue
 - primarily sales tax revenue
 - \$29.6 million budget gap projected in 2010
 - continuation of service impacts
- A combination of ongoing cost reductions and revenue enhancements will be needed to begin permanently closing the gap
 - long-term growth in revenue is projected to keep pace with growth in expenditures.
 - assuming economic recovery begins to occur in 2011



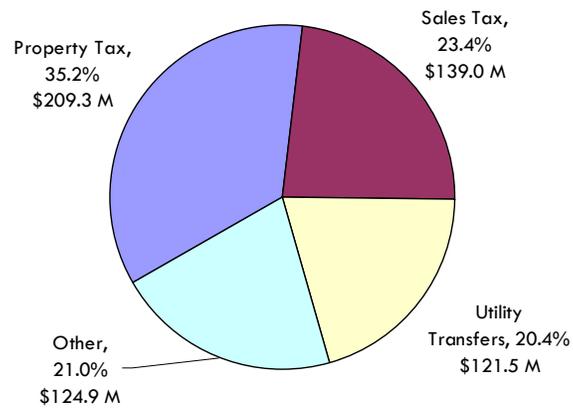
Forecast: General Fund Revenue



Financial Forecast

General Fund Revenue Categories

FY 2009 Estimated General Fund Revenue: \$594.7 Million

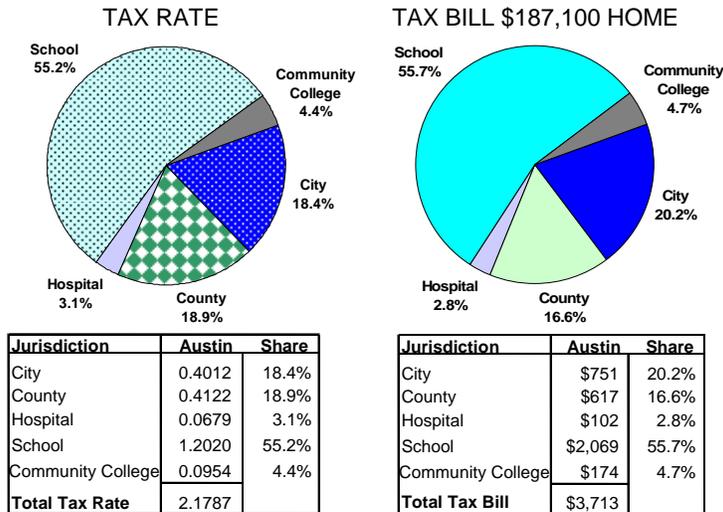


Property Tax

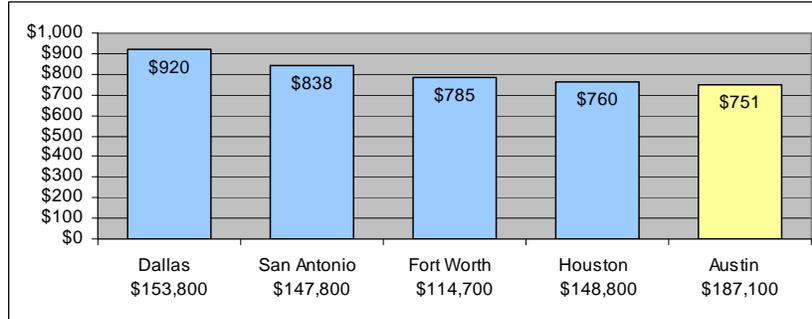
- Largest source of General Fund revenue
- Growth in assessed value driven by new construction and annexations
 - only one decline in annual AV during past 15 years
- Very stable source of revenue historically
 - annual growth between 4.9% and 14.5% since 2000
 - average annual growth of 7.7%
- Stability driven by property tax rates
 - rate has declined as assessed valuations have increased
- Key economic factors looking ahead
 - reduced volume of new residential and office construction
 - slow home sales
 - growing home inventory
- Declining AV projected for FY 2010 and 2011



Austin 2008-09 Overlapping Property Tax



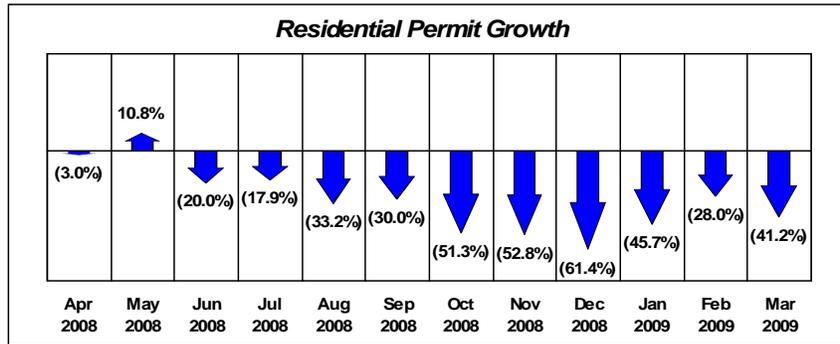
Property Tax Comparison – Median Priced Homes Last 12 Months



Source: Texas A&M Real Estate Center



Development Activity – Monthly



Sales Tax

- Second largest source of City revenue
- Very volatile source of revenue historically
 - annual growth between negative 6.3% and 14.3% since 2000
 - average annual growth of 5.3%
- FY 2009 sales tax
 - local job losses (Spansion, Dell, Applied Materials)
 - 7 consecutive months of declining sales tax revenue
 - year to date sales tax: (10.1%)
 - projected FY 2009 shortfall: (\$21.8 million)
- Key economic factors looking ahead
 - national recession
 - rising unemployment rate
 - declining consumer wealth and confidence
- Further decline in sales tax projected for FY 2010

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Austin MSA Unemployment Rate History



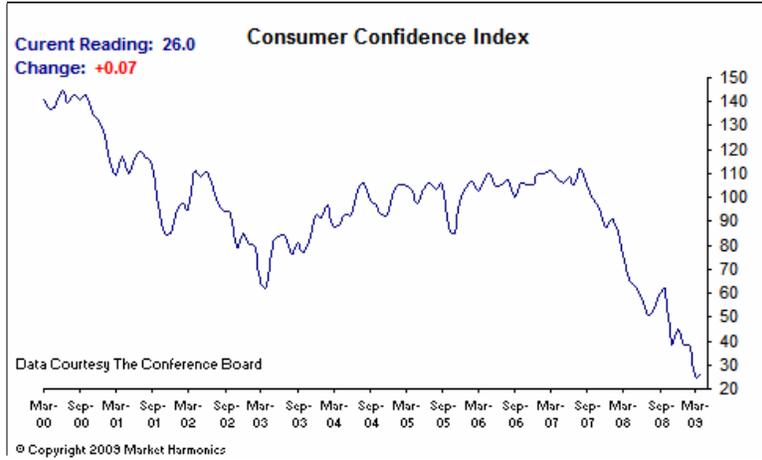
Source: Texas Workforce Commission

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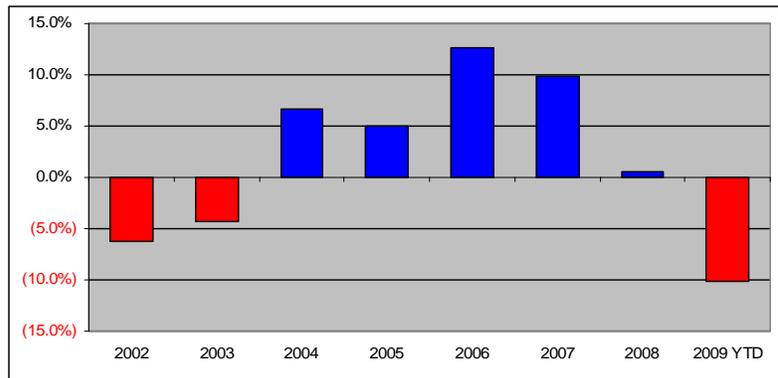


Consumer Confidence Index



Sales Tax History

Annual Change in Sales Tax Revenue



Forecast Assumptions – Revenue

Property Tax

Assessed Valuation

	Growth Rate	Total AV	New Property
▫ FY 2009	12.1%	\$ 76.5 b	\$2.6 b
▫ FY 2010	(3.2%)	\$ 74.0 b	\$2.6 b
▫ FY 2011	(2.0%)	\$ 72.5 b	\$1.2 b
▫ FY 2012	2.5%	\$ 74.4 b	\$1.7 b
▫ FY 2013	4.0%	\$ 77.3 b	\$1.4 b
▫ FY 2014	4.0%	\$ 80.4 b	\$1.5 b

Development Revenue

- \$3 million reduction in FY 2009
- further \$1 million reduction in FY 2010
- flat in 2011 followed by 7% annual growth beginning in 2012



Forecast Assumptions – Revenue

Sales Tax

	Growth Rate	Total Revenue	Change
▫ FY 2009	(10.0%)	\$ 139.0 m	(\$21.8 m)
▫ FY 2010	(5.0%)	\$ 132.1 m	(\$6.9 m)
▫ FY 2011	3.0%	\$ 136.0 m	\$3.9 m
▫ FY 2012	5.0%	\$ 142.8 m	\$6.8 m
▫ FY 2013	5.0%	\$ 150.0 m	\$7.2 m
▫ FY 2014	5.0%	\$ 157.5 m	\$7.5 m

*Each 1% change in sales tax equals approximately \$1.4 million.

Utility transfer rates

- Electric Utility 9.1%
- Water Utility 8.2%



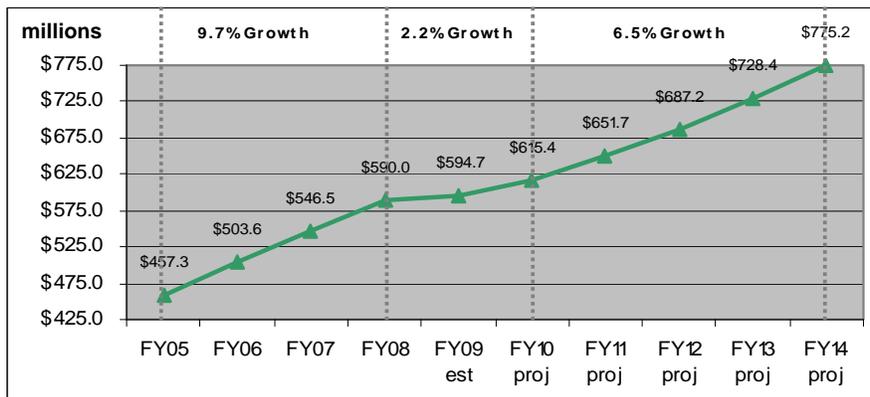
Property Tax Rate Definitions

- **Nominal**
 - a tax rate that does not change from the prior year
- **Effective**
 - a tax rate that generates the same amount of property tax revenue on existing properties as in the prior year
 - additional revenue is realized from “New Property”
 - when property values increase, this tax rate is lower than the current tax rate
 - does not allow cities to cover growth of base expenditures
- **Rollback**
 - a tax rate 8% above the O&M portion of the effective tax rate



Revenue Forecast

Actual and Forecasted General Fund Revenue



* FY2009-14 revenue projections show rollback property tax rate.



Summary – Revenue

- FY 2010 Projected Revenue

	FY 2009 Est.	FY 2010 Proj.	% Change
Rollback	\$594.7	\$615.4	3.5%
Effective		\$601.9	1.2%
Nominal		\$578.3	(2.8%)

- Even at rollback rate revenue growth projected to slow significantly from recent trends
 - 2.2% through FY2010
 - 6.5% annually beginning FY2011
- Significant declines in sales tax revenue projected for FY2009 and FY2010
 - Forecast highly sensitive to fluctuations in sales tax – each 1% equals \$1.4 million



Questions / Comments



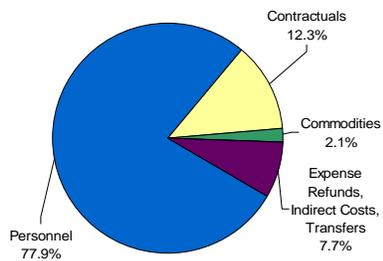
Forecast: General Fund Expenditures



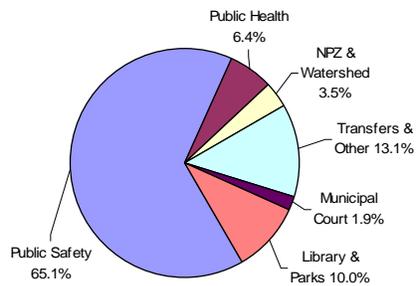
Financial Forecast

General Fund Budget Categories

**FY 2009 General Fund Budget
by Expenditure Category**



**FY 2009 General Fund Budget
by Service Category**



Expenditure Assumptions

- Full funding for currently authorized FTEs
 - less vacancy savings of 2.2%
- Contractually obligated pay increases for Police and EMS
 - 2.75% for 2010
 - 3.0% annually 2011-14
- Fire and civilian employee pay increases
 - 0% for 2010
 - 2.0% annually for 2011-14
 - market studies for civilian employees delayed to 2011 and 2012
 - dependent on contract negotiations



Expenditure Assumptions

- Annual increases in health insurance costs of 8% - 10%
- Supplemental funding for civilian employee retirement system
- O&M costs for new/expanded facilities
- Inflationary cost increases for utilities, contractual services, commodities
- Reduction in fuel costs in FY 2010
- No funding for enhanced service levels or new programs
 - costs associated with the creation of a new Arts and Culture Department and Music Department have not yet been finalized



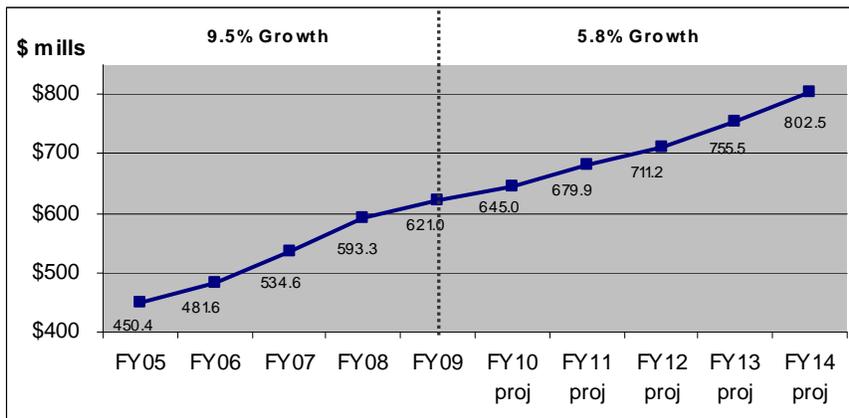
FY 2010 Cost Drivers

<u>Category</u>	<u>Estimated Increases</u>	<u>Justification</u>
Uniformed Personnel	\$10.8	* Police & EMS contracts * Police & Fire Step / Longevity * Health Insurance
Non-Uniformed Personnel	\$2.1	* Health Insurance
Other Departmental Costs	\$3.8	* Outside Contract Increases * Miscellaneous Commodity Increases
Transfers / Other Requirements	\$7.2	* Workers Compensation * Accrued Payroll * Liability Reserve * Support Services Fund * Communication & Technology * Supplemental Pension Funding
Totals	\$24.0	



Expenditure Forecast

Amended and Projected General Fund Budget



Summary – Expenditures

- Average annual increase of 5.8% over forecast period
 - much lower than average annual increase over last 4 years of 9.5%
 - *status quo (i.e. forecast does not include any service or operational enhancements)*
- Costs beyond our control
 - contract employee pay
 - inflationary costs for fuel, outside contracts, commodities
- Costs that we can influence by policy
 - non-contract employee pay
 - health insurance plans
 - staffing policies



Forecast: General Fund Summary



Revenue to Expenditures – 2010

Revenue

Property Tax at Rollback Rate	234.0
All Other Revenue	381.4
Total Revenue	615.4

Expenditures

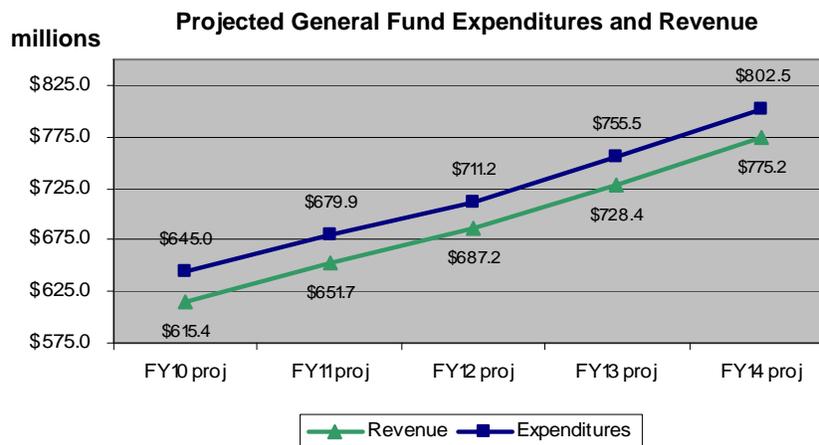
Departmental	556.2
Transfers / Other Requirements	88.8
Total Expenditures	645.0

Excess / (Deficit)

At Rollback Tax Rate	(29.6)
At Effective Tax Rate	(43.1)
At Nominal Tax Rate	(66.7)



Revenue to Expenditures



* FY2009-14 revenue projections show rollback property tax rate.



Forecast Conclusions

- Basic expenditure projections
 - no planned service enhancements in forecast
 - report on supplemental funding requests forthcoming
- Projected pay increases lower than in recent history
 - actual pay increases will depend on outcomes of future contract negotiations
- Significantly slower overall revenue growth than in past years even at rollback tax rate
- Projected shortfall in FY 2010 of \$29.6 million at rollback tax rate
 - \$43.1 million at effective tax rate
 - \$66.7 million at nominal tax rate
- Ongoing projected budget shortfall of between \$24.0 million and \$29.6 million over forecast period
- Correcting structural budget imbalance will require permanent cost reductions and/or revenue enhancements in FY 2010



Questions / Comments / Discussion



Airport

- Passenger traffic declining in 2009 with no growth projected in 2010, then begin to rebound in 2011
 - 3.0% annual growth after 2010, consistent with population growth
- Total revenue projected to increase approximately 3.5% per year after 2010
- Spending requirements are projected to grow at close to the same rate as revenue each year
 - Exception: Holding expenses constant in 2010 to respond to decreased revenues
 - Forecast includes cost increases associated with security and building and equipment maintenance
 - Annual contributions to capital fund average \$9.8 million for airport capital projects



Austin Convention Center

- Hotel tax accounts for about 60% of revenue
 - 2008 hotel tax collections up 4% over 2007
 - 2% decline projected in both 2009 and 2010
 - Similar patterns for rental car taxes
- Projecting steady but modest increases in facility rental revenue, contractor revenue, and hotel tax revenue after 2010
- Modest increase in operating expenses in 2010 and 2011
- No additional capital appropriations planned in 2010
 - Continue facility improvements in 2010 using funding allocated in 2009
 - Carpet and exhibit wall replacement, adding a connector between 3rd and 4th floors



Austin Energy

- Base electric rate has not changed since 1994
 - Will need an rate increase and restructuring at some point during the forecast period
 - Rate increase not included in revenue projections
- Revenue growth slowing
 - No growth in base electric revenue projected for 2010
 - Average annual customer growth of 1.9%
- Major cost drivers
 - Transmission costs increasing due to ongoing Texas transmission build-out
 - Large capital improvements program at \$801 million
 - Primarily distribution and transmission projects



Austin Water Utility

- Growth in customers for 2010 is less than in previous forecasts based on projected economic conditions
 - Less than 3,000 new customers, slightly above 1% growth
- Includes additional O&M funding for:
 - Increased chemical costs for treatment processes
 - 20 FTEs estimated for 2010, primarily pipeline repairs
- Debt service is expected to increase over the forecast period to fund capital improvements estimated at \$1.4 billion, primarily:
 - Treatment plant improvements
 - Service extensions to emerging growth corridors within DDZ
 - Rehabilitation of aging infrastructure
- Implementation of Cost of Service study results
 - Changes in rate structure for water conservation
- Rate increases assumed in forecast consistent with previous projections
 - System-wide rate increase of 4.5%



Drainage Utility

- Rate increase will be needed to maintain CIP contributions at current level
 - Rate impact would be \$0.60 per month for residential customer
- Continuation of infrastructure and system improvement projects from master plan
 - \$30 million is required each year to fund the master plan over 40 years
 - \$95 million in funding for drainage projects and \$50 million for open space acquisition included in the November 2006 bond election
 - 2010 transfer to CIP can be held level with 2009 transfer of \$16.1 million with rate increase
 - Long-term goal is to reduce reliance on future general obligation bond programs



Solid Waste Services

- The only rate increase for the “pay as you throw” program happened last year
- Current forecast does not include:
 - Additional staffing or service enhancements
 - Rate increases in 2010 or beyond
- Future rate considerations driven by:
 - Implementation of Solid Waste Services master plan and Zero Waste initiative
 - Materials Recovery Facility
 - Achieving compliance with financial policies regarding reserve levels



Transportation Fund

- General Fund transfer for street maintenance projected to remain at \$8.4 million in 2010
- Increase in transportation user fee of \$1.14 per month for single family homes is needed
 - Part of ongoing effort to reduce number of streets in poor or unsatisfactory condition
 - Consistent with assessment provided to Council last year regarding funding needed to reduce poor and marginal lane conditions by 800 lane miles in 2016



Next Steps

May 20	Report on Community and Employee Outreach Efforts and Citizen Survey Departmental Budget Reduction Strategies
May 22	Departments Submit Draft Budget Reduction Proposals to City Manager
June 11	Update on General Fund Revenue Forecast Summary of Corporate Budget Reductions Presentation of Budget Reduction Options
July 22	Deliver Proposed Budget to Council
August 5, 19, 26	Council Deliberations on FY 2010 Proposed Budget
Sept 14 – 16	Budget Approval Readings

Presentation available at www.ci.austin.tx.us/budget



Questions / Comments / Discussion



FINANCIAL FORECAST OVERVIEW

The Financial Forecast is prepared in compliance with the City's Financial Policies. The purpose of the Financial Forecast is to provide an early financial outlook to the City Council as part of the budget planning process. The Financial Forecast is not in the City's Proposed Budget. Many of these assumptions, projections, and cost estimates are based on early and preliminary information. As such, many assumptions, projections, and cost estimates may change as the Proposed Budget is developed.

OCTOBER 1	BEGIN FISCAL YEAR
APRIL 22	ECONOMIC OUTLOOK AND FINANCIAL FORECAST PRESENTATION
MAY 20	CITIZEN SURVEY AND EMPLOYEE OUTREACH EFFORTS GENERAL BUDGET REDUCTION STRATEGIES
MAY 22	DEPARTMENTS SUBMIT DRAFT BUDGET REDUCTION PROPOSALS TO CITY MANAGER
JUNE 11	UPDATE ON GENERAL FUND REVENUE FORECAST SUMMARY OF CORPORATE BUDGET REDUCTIONS DELIVER LIST OF BUDGET REDUCTION PROPOSALS
JULY 22	DELIVER PROPOSED BUDGET TO COUNCIL
AUGUST 5, 19, 26	COUNCIL DELIBERATIONS ON FY 2010 PROPOSED BUDGET
SEPT 14 - 16	BUDGET APPROVAL READINGS

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GENERAL FUND

➤ REVENUE

➤ EXPENDITURES

➤ ASSUMPTIONS

➤ PROJECTIONS

GENERAL FUND

The General Fund is the general operating fund for the City of Austin. It includes ten departments that provide direct programs, activities and services to the citizens of Austin as well as to surrounding communities. These departments include Municipal Court, Neighborhood, Planning and Zoning, Watershed Protection and Development Review, Police, Fire, Emergency Medical Services, Public Safety & Emergency Management, Health & Human Services, Parks & Recreation and Library.

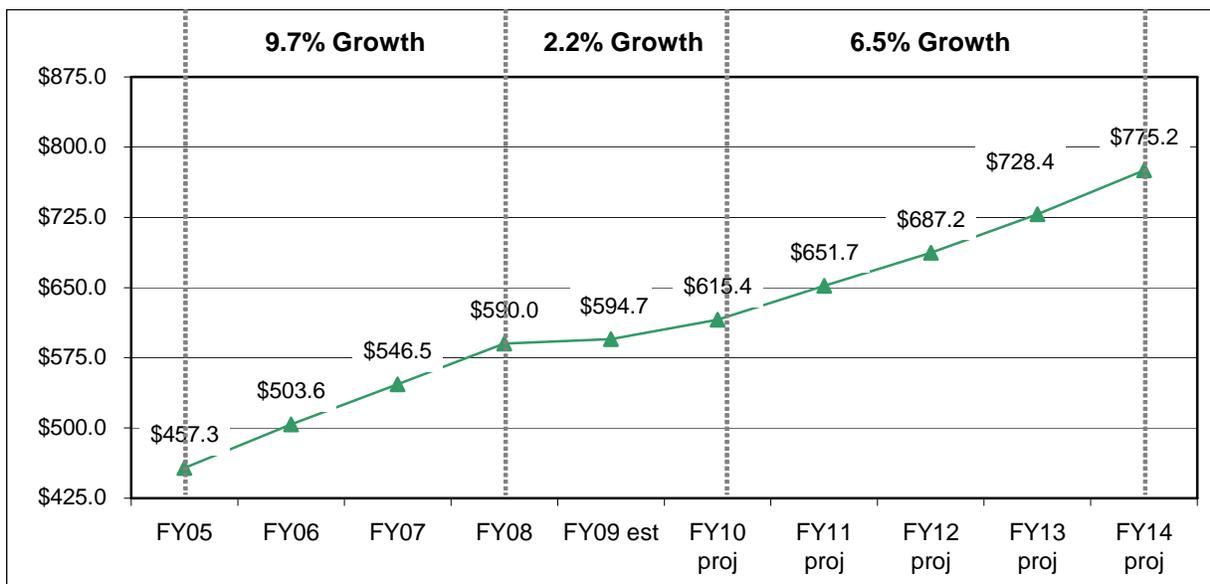
Funding for the General Fund is generated through three primary sources. Revenue from property tax generates 35.2% of total revenue. The current approved property tax rate for FY2009 is 40.12 cents per \$100 valuation. Revenue from sales tax generates 23.4%. The third major source is through transfers in from the electric and water utilities for a total of 20.4%. The remaining 21.0% is derived from various sources which include franchise fees, fines, forfeitures, penalties, licenses, permits, inspections, charges for services and interest.

REVENUE SUMMARY

Between FY 2005 and FY 2008 General Fund revenue grew at an average of 9.7% annually. As a result of the significant downturn in the economy, the rate of revenue growth is projected to drop to 2.2% annually through FY 2010. The economic outlook is expected to improve gradually beginning in FY 2011. Below is a summary of total revenue for the forecast period followed by additional information on the major revenue categories.

General Fund Actual and Forecast Revenue

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Revenue	\$ 615.4	\$ 651.7	\$ 687.2	\$ 728.4	\$ 775.2
Prior Year Increase	\$ 20.7	\$ 36.3	\$ 35.5	\$ 41.2	\$ 46.8

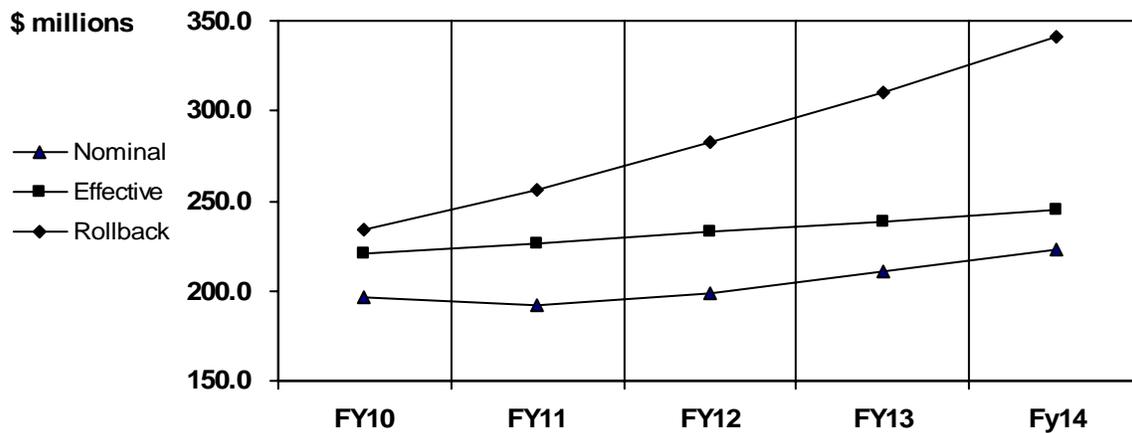


PROPERTY TAX

Property tax revenue accounts for approximately 35.2% of total General Fund revenue. The financial forecast for property tax revenue for the nominal, effective, and rollback options is presented in the following chart and graph:

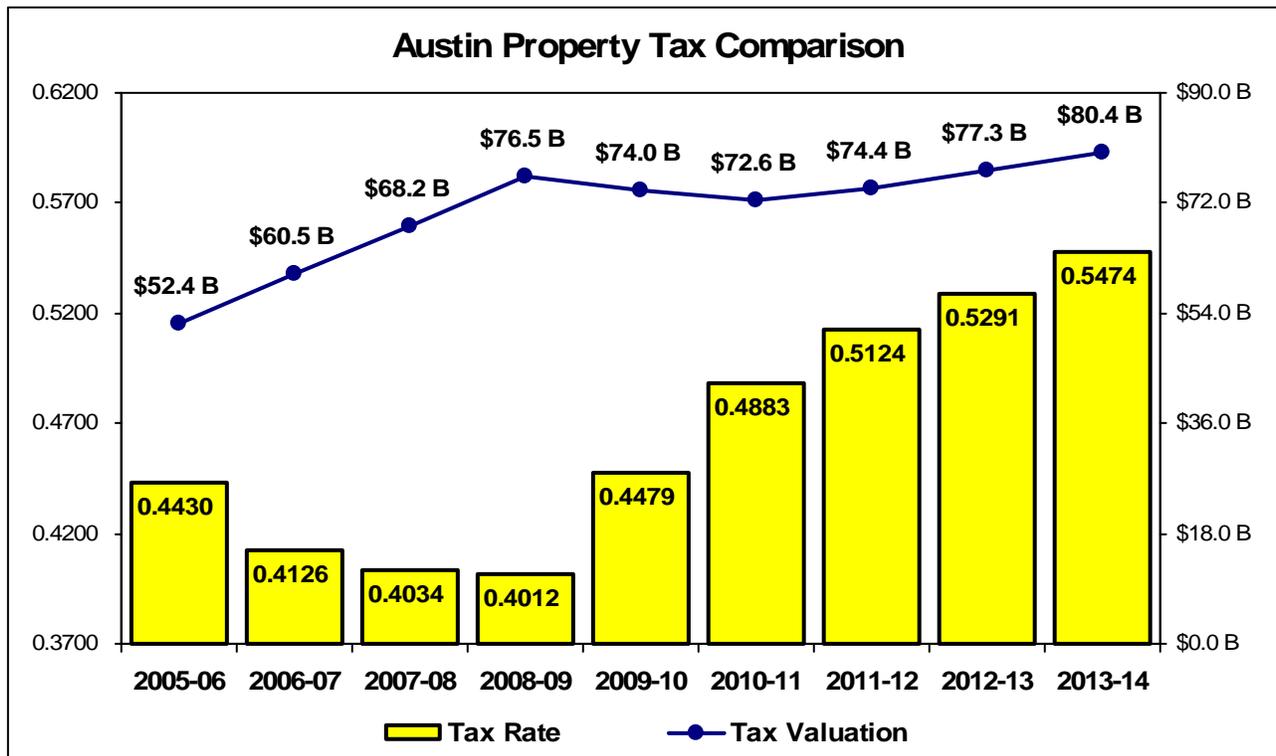
General Fund Forecast of Property Tax Revenue

	2009-10	2010-11	2011-12	2012-13	2013-14
Rollback Tax Rate	\$ 234.0	\$ 256.5	\$ 282.9	\$ 310.6	\$ 341.3
Prior Year Increase	24.3	22.5	26.4	27.8	30.7
Effective Tax Rate	\$ 220.5	\$ 225.7	\$ 233.0	\$ 238.9	\$ 245.2
Prior Year Increase	7.2	19.1	16.3	19.3	22.4
Nominal Tax Rate	\$ 196.9	\$ 192.1	\$ 199.1	\$ 210.7	\$ 222.9
Prior Year Increase	(12.8)	(4.8)	7.1	11.6	12.1



The financial forecast assumes property tax revenue with the rollback tax rate option.

The property tax rate has historically declined as the assessed valuation increased as shown in the graph below. The forecast tax rates below are increasing as a result of two years of forecast valuation declines followed by moderate valuation increases through out the remainder of the forecast period.

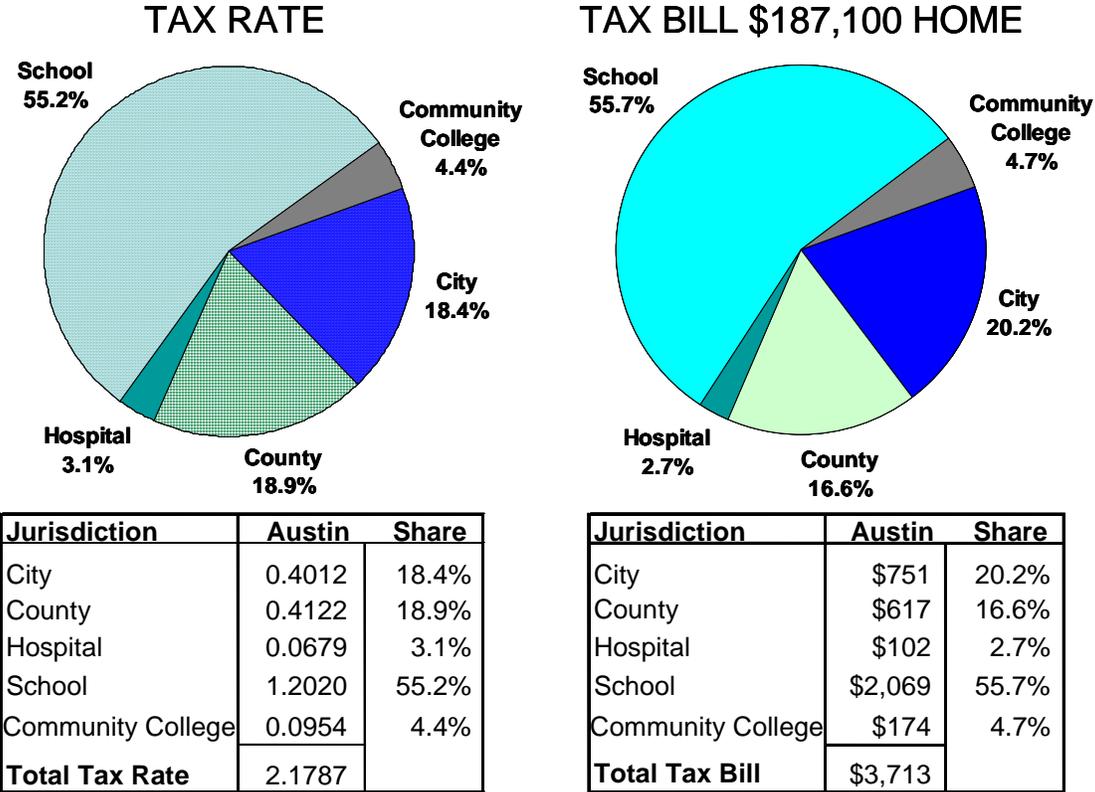


Based on preliminary information from the Appraisal District, assessed valuations for fiscal 2010 are expected to decline at just over three percent. We are projecting a further decline in assessed valuation in 2011 followed by a moderate growth over the remainder of the forecast period based on discussions with Appraisal District staff.

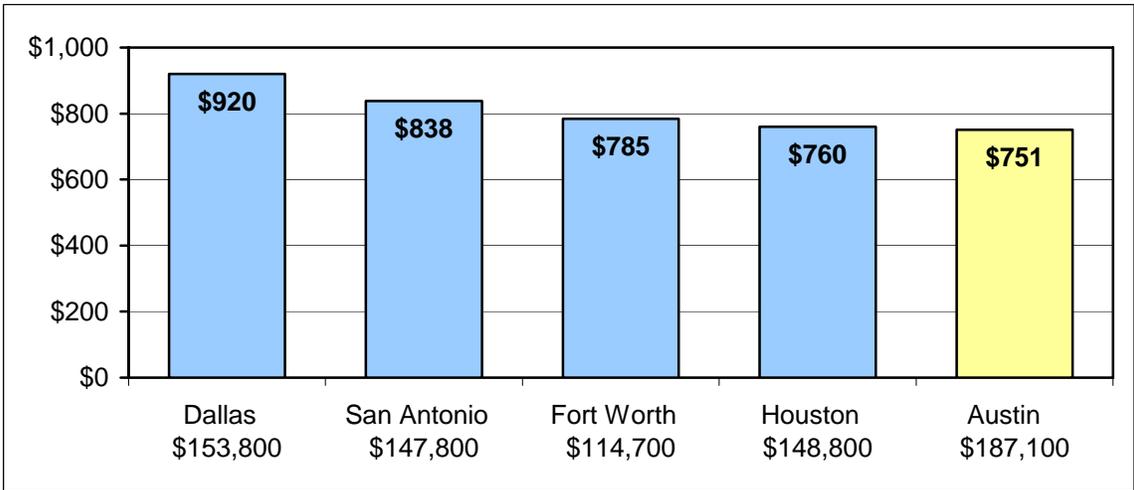
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Taxable Assessed Valuation (billions)	\$ 74.0	\$ 72.6	\$ 74.4	\$ 77.3	\$ 80.4
Percentage Change	(3.2%)	(2.0%)	2.5%	4.0%	4.0%

PROPERTY TAX COMPARISONS

The following section provides comparisons of tax rates and bills for a \$187,100 home, with each taxing jurisdiction’s tax exemption applied, and median family income for Austin and the major Texas cities.

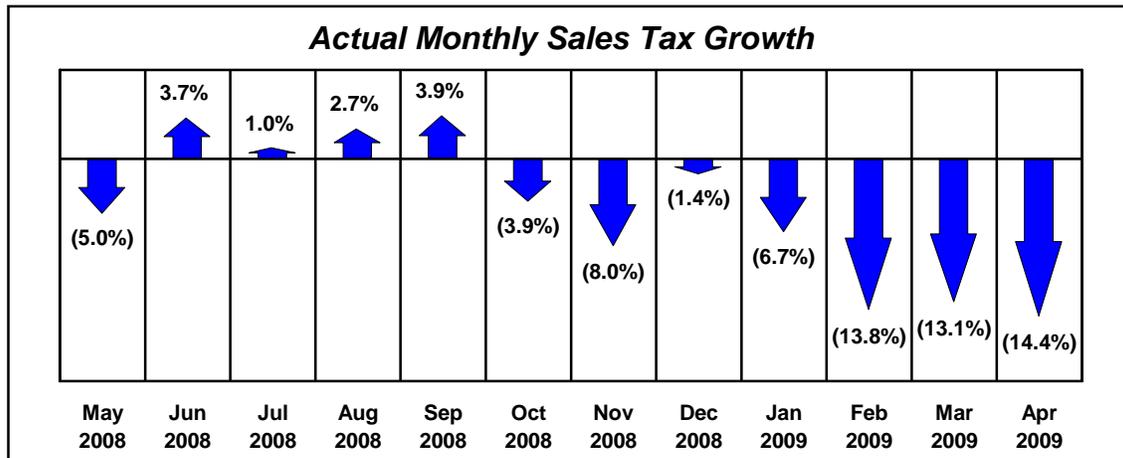


The graph below shows a tax bill comparison for the major Texas cities for a median valued home. Although Austin has the highest median home value, it has the lowest property tax rates and lowest tax bill of the major Texas cities.



SALES TAX

Sales Tax revenue accounts for approximately 23.4% of total General Fund revenue.



Following two years of peak recovery, 12.7% growth in 2005-06 and 9.9% growth in 2006-07, the 2007-08 sales tax growth declined to 0.9%. Through the first 5 months of FY 2008-09, the City has experienced a decline in sales tax revenue of 10.0%. The forecast for 2009-10 also projects a further decline in sales tax revenue of 5.0%. The remaining forecast years reflect an estimated increase of 3.0% in 2010-11 and 5.0% for each of the remaining years. Sales tax revenue is presented in the following chart.

General Fund Forecast of Sales Tax Revenue

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Sales Tax Revenue	\$ 139.0	\$ 132.1	\$ 136.1	\$ 142.8	\$ 150.0	\$ 157.5
Growth Rate	(10.0%)	(5.0%)	3.0%	5.0%	5.0%	5.0%

OTHER REVENUE

Utility transfer revenue accounts for approximately 20.4% of total General Fund revenue. The forecast revenue is based on maintaining the current utility transfer rates, which are consistent with the City's financial policies:

- Electric Utility 9.1%
- Water Utility 8.2%

Because of slight upward trends in utility revenues, increases in utility transfers are projected for each year of the forecast period.

EXPENDITURES SUMMARY

Forecast projections show that expenditure requirements will exceed revenue projections. Personnel costs continue to be the main base requirement driving the increase in total expenditures and make up 78% of the total current year General Fund Budget. The three main factors impacting personnel costs are health insurance, public safety contracts and public safety step and longevity.

Other base requirements in the five year forecast period include funding for annexations and new or expanded facilities such as Roy Guerrero Colorado River Park, Northwest Recreation Center, Dittmar Recreation Center expansion, the North Village and Twin Oaks libraries and the new animal shelter. Finally, the forecast includes other expenditure increases for obligations such as contract inflators for the jail contract, the Austin Resource Center for the Homeless (ARCH) contract and the Salvation Army contract, as well as requirements for transfers to funds such as workers compensation, liability reserve, accrued payroll, Support Services Fund and Communications & Technology Management Fund.

Basic Assumptions FY 2010 thru FY 2014

Base Budget

- Maintain funding to meet current service levels
 - Public Health & Safety
 - Parks Programs & Library Services
 - Permitting, Review & Inspection
 - Planning & Zoning

Base Increases

- Outside contract increases
- Other miscellaneous adjustments to commodities

Personnel Increases

- Includes funding for Police & EMS contracts @ 2.75% in FY 2010 and 3% in FY 2011-2014
- Includes funding for all other employees @ 0% in FY 2010 and 2.0% in FY 2011-2014
- Health insurance increase of 8-10% each year
- Continuation of supplemental retirement contribution

General Fund Summary
Financial Forecast FY 2010 - FY 2014
(\$ millions)

	2010	2011	2012	2013	2014
Revenue	\$615.4	\$651.7	\$687.2	\$728.4	\$775.2
Expenditures					
Departmental	\$556.2	\$578.5	\$596.7	\$630.7	\$682.7
Transfers / Other Requirements	\$88.8	\$101.4	\$114.5	\$124.8	\$119.8
Total Projected Expenditures	\$645.0	\$679.9	\$711.2	\$755.5	\$802.5
Excess / (Deficit)	(\$29.6)	(\$28.1)	(\$24.0)	(\$27.1)	(\$27.3)

AUSTIN ENERGY

Austin Energy is the City of Austin's municipally owned and operated electric utility that provides retail and wholesale electric service to its customers. Its service territory totals 437.06 square miles including 206.41 square miles in the City of Austin and 230.65 square miles outside Austin city limits in Travis and Williamson counties.

REVENUE

Austin Energy receives about 90% of its revenue from sales of electric service to customers in its service territory. Sales of electricity include two main components – base and fuel revenue. Base revenue is a function of the number of customers/bills, usage levels and price. Fuel revenue, collected through the Fuel Adjustment Clause, is a pass through of cost to customers which includes no profit for the utility. Other revenue includes transmission revenue, infrastructure rental, product and chilled water sales, customer fees, wholesale electric sales and interest income.

Below are revenue assumptions for the FY 2010-14 Financial Forecast include:

- The forecast projects annual growth of 1.9% in the number of customers.
- No growth is expected from 2009 to 2010 and electric sales (non-fuel) are \$160 million lower over the five years than last year's forecast.
- Although not included in this forecast, an electric rate (non-fuel) increase and rate restructuring will be needed in the next five years.
- Fuel charges are expected to be stable over the forecast as are fuel costs.

EXPENDITURES

Projections show that while revenue growth is slowing, cost drivers in the forecast continue to exceed revenue growth. Major expenditure categories include operating and maintenance (including fuel) and transfers. Transfers include those related to capital improvements (debt service and internally funded capital) and the General Fund Transfer.

Below are expenditure assumptions for the FY 2010-14 Financial Forecast:

- Transmission expense increases \$125 million over the five years due to ongoing Texas transmission build-out including Competitive Renewable Energy Zones (CREZ - \$5+ billion).
- The five year Capital Improvements Spending program (CIP) totals \$801 million and is the major cost driver for the Operating Transfer to CIP and debt service requirements.
- The General Fund Transfer rate remains at 9.1% within Council's established policy. The rate has been 9.1% since 1999, except for 2002 (8.9%).

Austin Energy Department Five Year Forecast

(millions)

	Amended 2008-09	Estimated 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
BEGINNING BALANCE	320.8	242.7	160.5	58.5	(9.3)	(45.3)	(105.3)
TOTAL REVENUE	1,276.5	1,208.4	1,223.4	1,225.9	1,243.6	1,251.9	1,259.7
TRANSFERS IN	43.2	43.2	0.0	0.0	0.0	0.0	0.0
TOTAL AVAILABLE FUNDS	1,319.7	1,251.6	1,223.4	1,225.9	1,243.6	1,251.9	1,259.7
TOTAL OPERATING REQUIREMENTS	935.3	855.2	887.3	888.5	905.0	944.1	964.9
TOTAL TRANSFERS OUT	428.7	461.7	421.1	388.1	357.0	349.7	347.8
TOTAL OTHER REQUIREMENTS	16.9	16.9	17.0	17.1	17.6	18.0	18.5
TOTAL REQUIREMENTS	1,380.9	1,333.8	1,325.4	1,293.7	1,279.6	1,311.8	1,331.2
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(61.2)	(82.2)	(102.0)	(67.8)	(36.0)	(60.0)	(71.5)
ENDING BALANCE	259.6	160.5	58.5	(9.3)	(45.3)	(105.3)	(176.8)
FTEs	1,718.75	1,718.75	1,718.75	1,718.75	1,718.75	1,718.75	1,718.75

AUSTIN WATER UTILITY

The purpose of the Austin Water Utility is to effectively manage water resources for the community in order to protect the public health and environment.

REVENUE

The Austin Water Utility provides water and wastewater service to over 207,000 customers within Austin and the surrounding areas. Revenue from the sale of water and wastewater service total over \$400 million annually. Non-rate revenue includes miscellaneous fees and charges and interest income.

Below are revenue assumptions included in the FY 2010-14 Financial Forecast:

- Projected combined rate increases total 22.5% over the forecast period.
- Revenue from the sale of water and wastewater service will increase 36.3% over the forecast period from growth and forecasted rate increases. There are no new fees for utility services.
- Over the 5-year financial forecast period, the Utility is projecting a 1.5% average annual growth in base service revenue for all rate classes for both water and wastewater systems.
- It is projected that non-rate revenue will increase by \$1.8 million or 20.1% over the forecast period.

EXPENDITURES

The major cost drivers of the Utility are related to required capital improvements, on-going debt service, and operations & maintenance expenses. Significant capital improvements are forecasted to improve water and wastewater treatment capacity and efficiency, extend service to emerging growth corridors within the Desired Development Zone, and replace aging infrastructure. Approximately 40% of total operating revenue each fiscal year is required for paying principal and interest due on debt. Projected increases to the operations and maintenance budget are due to increased water pumpage and wastewater flows, and the addition of new facilities and annexations. Costs associated with health insurance and additional employees are needed to establish an evening work shift (2nd shift) to expedite water main repairs, improve emergency response time, and enhance distribution system maintenance. Additional funding is also included for increased costs of chemicals for treatment processes.

Below are expenditure assumptions included in the FY 2010-14 Financial Forecast:

- Operating requirements are projected to increase by \$35.1 million or 20.2% over the 5-year forecast.
- \$3.6 million increase in operating requirements is projected for FY 2010.
- New capital spending of \$1.4 billion is required during the forecast period.
- Annual debt service payments are projected to increase by \$65.1 million or 40.3% over the forecast period.

Austin Water Utility Department Five Year Forecast
(millions)

	Amended 2008-09	Estimated 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
BEGINNING BALANCE	41.5	47.1	50.3	35.9	36.8	37.9	38.9
TOTAL REVENUE	394.5	394.9	414.7	441.6	471.4	502.6	536.2
TRANSFERS IN	10.9	10.9	8.3	9.3	9.8	10.0	10.0
TOTAL AVAILABLE FUNDS	405.4	405.8	423.0	450.9	481.2	512.6	546.2
TOTAL OPERATING REQUIREMENTS	147.6	142.5	148.6	153.6	160.1	166.8	171.7
TOTAL OTHER REQUIREMENTS	26.6	26.4	29.1	32.1	33.9	35.8	37.6
TOTAL DEBT SERVICE	161.4	156.8	163.4	171.2	193.3	214.6	226.5
TOTAL TRANSFERS OUT	76.7	76.7	96.2	93.1	93.0	94.2	109.6
TOTAL REQUIREMENTS	412.3	402.5	437.4	449.9	480.2	511.5	545.4
EXCESS (DEFICIENCY OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS)	(6.9)	3.2	(14.4)	1.0	1.0	1.1	0.8
ENDING BALANCE	34.5	50.3	35.9	36.8	37.9	38.9	39.8
FTEs	1,056.60	1,056.60	1,077.10	1,077.10	1,077.10	1,077.10	1,077.10
Combined Rate Increases	7.0%	7.0%	4.5%	4.5%	4.5%	4.5%	4.5%

AVIATION DEPARTMENT

The mission of the Aviation Department is to meet the commercial, passenger, and air cargo service requirements of Central Texas, while accommodating military, corporate, and general aviation needs.

REVENUE

Airline revenue, comprised of landing fees, terminal fees, and other direct airline service fees, accounts for 41% of total Airport operating revenue. Over half of the Aviation Department's operating revenue is comprised of non-airline revenue such as parking, concessions, rentals and other fees.

Below are revenue assumptions included in the FY 2010 -14 Financial Forecast:

- Due to the current national and global economic downturn, FY 2010 estimated passenger enplanement numbers are projected to be flat compared to the FY 2009 actual number of enplanements and lead to a 3% decrease in airline revenue.
- Based upon anticipated population growth for the region, FY 2011 — FY 2014 enplanement numbers are expected to grow 3.0% each year and lead to a 3.5% to 4% increase in airline revenue each year.
- FY 2010 non-airline revenue is forecasted to increase by 3.5% over the FY 2009 budgeted amount and continue to increase at this rate for each of the remaining four years of the forecast.

EXPENDITURES

Operating and maintenance expenses, such as Business Services, Facilities Management, Operations, and Airport Security, Planning and Development, and Support Services, comprise 71% of the Department's expenditures. Debt service is the next largest component; it accounts for 24% of all expenditures.

Below are expenditure assumptions included in the FY 2010-14 Financial Forecast:

- For FY 2010, a 2% across the board reduction in most commodities and contractals will result in operations savings during the economic downturn.
- For FY 2011-14, annual Operating and Maintenance increases are 5%.
- No staffing increases over the forecast period.
- Debt service savings are included over the forecast period due to refunding and defeasance of prior year bonds.

Aviation Department Five Year Forecast

(millions)

	Amended Estimated		2009-10	2010-11	2011-12	2012-13	2013-14
	2008-09	2008-09					
BEGINNING BALANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUE	83.9	83.9	84.4	87.4	90.5	94.0	97.2
TRANSFERS IN	7.1	7.1	4.1	4.1	4.0	4.2	4.1
TOTAL AVAILABLE FUNDS	91.1	91.1	88.5	91.6	94.5	98.2	101.4
TOTAL OPERATING REQUIREMENTS	55.1	55.1	55.6	58.3	61.3	64.3	67.5
TOTAL TRANSFERS OUT	18.0	18.0	18.7	18.8	18.5	19.3	18.9
TOTAL OTHER REQUIREMENTS	3.7	3.7	4.1	4.6	4.8	5.2	5.5
TOTAL REQUIREMENTS	76.9	76.9	78.4	81.7	84.6	88.8	91.9
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	14.2	14.2	10.1	9.9	9.9	9.4	9.5
CONTRIBUTION TO CAPITAL FUND	14.2	14.2	10.1	9.9	9.9	9.4	9.5
ENDING BALANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTEs	352.00	352.00	352.00	352.00	352.00	352.00	352.00

AUSTIN CONVENTION CENTER

The Austin Convention Center operates a downtown Convention Center with 246,097 square feet of exhibit halls, and the Palmer Events Center on Town Lake, a 131,000 square foot multi-use events center. The Convention Center also operates three parking garages.

REVENUE

Hotel/Motel Occupancy Tax collections represent 60% of total combined Convention Center revenue forecasted for FY 2010. Facility revenue accounts for 15%, while 14% is generated through contractor revenue and interest earnings. Rental car tax collections account for the remaining 11%. Below are revenue assumptions included in the FY 2010-14 Financial Forecast:

- FY 2009 estimated Hotel/Motel tax revenue is projected to be \$1.4 million below the budgeted revenue of \$33.6 million, or 4.3% lower.
- FY 2010 Hotel/Motel tax revenue is based on a 2% decrease from the FY 2009 estimate; FY 2011 estimates a slight increase in revenue of 1%; FY 2012 growth is 2.6%; FY 2013 growth is 3% and FY 2014 growth is 4%.
- FY 2009 estimated Rental Car Tax revenue is projected to be \$0.8 million below budgeted revenue of \$6.7 million, or 11.6% lower.
- FY 2010 Rental Car Tax Revenue is projected to decline at 2% below the FY 2009 current year estimate. Future annual revenue rates predict a 1% increase in FY 2011, a 2% increase in FY 2012, a 3% increase in FY 2013 and a 4% increase in FY 2014.
- Facility and parking FY 2010 revenue is projected to be 1.8% below the FY 2009 budget. The FY 2009 estimate is currently above the budget, resulting in a decrease of 3.7% in FY 2010 from the FY 2009 estimate. Minimal increases are projected for the remaining forecast period.

EXPENDITURES

Event operations at the Convention Center and Palmer Events Center, such as staffing, utilities, facility maintenance, and Information Technology-related costs comprise 51% of the Department's expenditures. Debt service expenses account for 37% of all expenditures. The remaining 12% is attributed to contractor expenses, support services and other requirements.

Below are expenditure assumptions included in the FY 2010-14 Financial Forecast:

- Cost reductions have been made throughout the department, however investments in the technology infrastructure and LEED related projects will continue to be a primary focus for FY 2010.
- FY 2010 proposes two (2) new FTEs to address needs in the Operations & Maintenance and IT areas.

Austin Convention Center Department Five Year Forecast
(millions)

	Amended Estimated		2009-10	2010-11	2011-12	2012-13	2013-14
	2008-09	2008-09					
BEGINNING BALANCE - Conv. Ctr., Venue Fund, Town Lake Park Venue, Palmer Events Ctr. (PEC) & PEC Garage	24.7	29.5	19.3	15.6	10.6	6.0	2.5
TOTAL AVAILABLE FUNDS	55.0	53.9	52.9	53.4	54.7	56.1	58.4
TOTAL OPERATING REQUIREMENTS	55.1	52.2	54.2	55.8	56.4	56.6	56.3
TOTAL TRANSFERS OUT	11.5	10.0	0.3	0.3	0.3	0.3	0.4
TOTAL OTHER REQUIREMENTS	1.9	1.9	2.1	2.3	2.5	2.7	3.0
TOTAL REQUIREMENTS	68.5	64.1	56.6	58.4	59.2	59.6	59.7
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(13.5)	(10.2)	(3.7)	(5.0)	(4.6)	(3.5)	(1.3)
ENDING BALANCE	11.2	19.3	15.6	10.6	6.0	2.5	1.2
FTEs	241.00	241.00	243.00	243.00	243.00	243.00	243.00

WATERSHED PROTECTION AND DEVELOPMENT REVIEW—DRAINAGE UTILITY FUND

The purpose of the Watershed Protection and Development Review Department is to efficiently and effectively protect lives, property, and the environment by reducing the impact of flooding, erosion, water pollution and providing comprehensive development review and inspection services.

The Drainage Utility Fund receives its revenue from commercial and residential fees. This fund is used to maintain and improve water quality, reduce the impact of flooding, create stable stream systems, and to maintain drainage infrastructure.

REVENUE

The primary Drainage Utility funding source is a monthly drainage fee assessed to City of Austin utility customers.

Below are revenue assumptions included in the FY 2010-14 Financial Forecast:

- The residential Drainage Fee rate will increase \$0.60 per month beginning in FY 2010.
- Commercial fee increase will be 9%.
- FY 2010 Drainage Fee revenue is based on residential and commercial customer growth of approximately 0.9 percent annually.

EXPENDITURES

The forecast continues funding of the Master Plan recommended Capital Improvement Program (CIP) projects. In FY 2010, the Utility transfer to the CIP remains level at \$16.1 million. The Infrastructure and Waterway Maintenance program is the largest component of the Drainage Utility Fund's program expenditures. This program provides maintenance services to the City's drainage infrastructure, repairs erosion damage and improves the quality of stormwater. Expenditures for the Infrastructure and Waterway Maintenance program account for 33.3 percent of the Drainage Utility Fund's program operating expenditures.

Below are expenditure assumptions included in the FY 2010-14 Financial Forecast:

- Funds priority projects that integrate the Department's three missions as well as projects providing localized flood control, erosion mitigation, creek flood control and water quality improvements.
- Adds three new positions in FY 2010.
- Includes personnel related increases such as insurance.

Drainage Utility Fund Five Year Forecast
(millions)

	Amended <u>2008-09</u>	Estimated <u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012 -13</u>	<u>2013 -14</u>
BEGINNING BALANCE	7.4	10.3	7.8	6.2	5.1	5.0	5.4
TOTAL REVENUE	55.4	54.8	57.6	62.7	67.9	73.4	79.2
TRANSFERS IN	0.3	0.3	0.3	0.3	0.3	0.3	0.3
TOTAL AVAILABLE FUNDS	55.7	55.1	57.9	63.0	68.2	73.7	79.5
TOTAL OPERATING REQUIREMENTS	36.4	36.4	37.6	39.1	40.8	42.5	44.3
TOTAL TRANSFERS OUT	18.7	18.0	18.4	21.1	23.4	26.5	29.8
TOTAL OTHER REQUIREMENTS	3.1	3.1	3.5	3.9	4.1	4.3	4.5
TOTAL REQUIREMENTS	58.3	57.6	59.5	64.1	68.3	73.3	78.6
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(2.6)	(2.5)	(1.6)	(1.1)	(0.1)	0.4	0.9
ENDING BALANCE	4.8	7.8	6.2	5.1	5.0	5.4	6.3
FINANCIAL POLICY RESERVE OF 30 DAYS	2.7	2.7	2.8	2.9	3.0	3.1	3.2
FTEs	298.00	298.00	301.00	304.00	307.00	310.00	313.00

TRANSPORTATION FUND

The Transportation Fund supports the Street and Bridge Division within the Public Works Department, which is comprised of Street Preventive Maintenance, Street Repair, Concrete Repair and Construction and Transportation Enhancement. The fund also supports the Traffic Controls and Bicycle and Pedestrian programs.

REVENUE

Transportation fee revenue accounts for approximately 84% of the total revenue in the Transportation Fund for FY 2010. The transportation fee was created by the City Council in September 1991 for funding of street repairs and maintenance. Revenue for parking meters and licenses for taxicabs, chauffeurs and limousines are being moved to the new Parking Enterprise Fund in FY 2010. The forecast includes an increase to the transportation fee in order to sustain operations and to achieve its goals related to the City's street conditions.

Below are revenue assumptions included in the FY 2010-14 Financial Forecast:

- The residential transportation fee will increase \$1.14 for single-family homes per month in FY 2010.
- Commercial transportation fee will increase to \$30.57 per acre per month.
- Transportation fee revenue is based on minimal annual growth of approximately 1%.

EXPENDITURES

One of the City's long term goals is to reduce streets that are in poor and fair conditions by 800 lane miles in 10 years. This goal is difficult to achieve each year due to rapid increase in commodity costs, such as asphalt and fuel. The forecast is based on a 10% preventative maintenance schedule in FY 2010, and then maintaining 10% in the remaining years. Funding is included for increased cost drivers for personnel and program support for the Transportation Department.

Below are expenditure assumptions included in the FY 2010-14 Financial Forecast:

- Over the five year forecast period, the anticipated growth in the street network and asphalt inflation will require, on average, an estimated additional \$1.2 million per year in street preventive maintenance.
- Includes transfers and personnel related expenses for insurance cost increases.

The current forecast predicts a \$1.7 million positive ending balance increasing to \$2.0 million in FY 2014.

Transportation Fund Five Year Forecast

(millions)

	Amended 2008-09	Estimated 2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
BEGINNING BALANCE	2.2	3.5	1.2	1.7	1.8	1.9	2.0
REVENUE							
Transportation User Fee	28.7	28.4	35.5	37.2	38.3	40.2	43.1
Other	8.9	8.9	6.7	7.0	7.3	7.6	7.9
TOTAL REVENUE	37.5	37.3	42.2	44.2	45.6	47.8	51.0
TRANSFERS IN							
General Fund	8.6	8.4	8.4	8.4	8.4	8.4	8.4
TOTAL AVAILABLE FUNDS	46.1	45.7	50.6	52.6	54.0	56.2	59.4
TOTAL OPERATING REQUIREMENTS	40.5	40.5	43.0	44.4	45.2	46.7	49.1
TOTAL TRANSFERS OUT AND OTHER REQUIREMENTS	7.5	7.5	7.1	8.1	8.7	9.4	10.3
TOTAL REQUIREMENTS	48.0	48.0	50.1	52.5	53.9	56.1	59.4
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(1.9)	(2.3)	0.5	0.1	0.1	0.1	0.1
ENDING BALANCE	0.3	1.2	1.7	1.8	1.9	2.0	2.0
Rate per acre	\$ 20.71	\$ 24.85	\$ 30.57	\$ 31.48	\$ 31.80	\$ 32.75	\$ 34.39
Monthly Residential Fee							
Single Family	\$ 4.97	\$ 4.97	\$ 6.11	\$ 6.29	\$ 6.36	\$ 6.55	\$ 6.87

SOLID WASTE SERVICES

Solid Waste Services (SWS) provides recycling, refuse, yard trimmings, brush, bulky and dead animal collection and street sweeping services. Additionally, SWS operates a household hazardous waste facility, material recovery facility, and a limited-use landfill. SWS also monitors and responds to zoning, housing and environmental code ordinances, and violations.

SWS is currently facing some challenging times, including the condition of the global economy, the reduction in anticipated recycling revenue and increases in operational expenditures. The Department's executive staff is currently working with City Management to launch a Solid Waste Master Plan as it relates to the City's growth and Zero Waste initiatives and goals. Over the next several months, the Department will receive public input and will formulate strategies to meet the service needs to be incorporated in a long range plan. Rates will be addressed as part of a final plan that will be presented to Council.

Over the next five year forecast period, SWS is anticipating the need for several rate increases. The rate increases will be needed to fund project and program costs as well as maintain compliance with financial reserve policies. Several of these projects currently in the developing phases include the implementation of the Solid Waste Services master plan, Zero Waste initiative, and the Materials Recovery Facility.

The FY 2010 budget will meet the needs of core services such as Pay-As-You-Throw, Code Enforcement, Litter Abatement Waste Diversion, Operations Support, Landfill Cost and Support Services. Upon completion of the Solid Waste Master Plan, staff will develop and present five-year financial projections to Council that reflect the resolution of these operational challenges.